

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Delhi Charter Township	County Ingham
Audit Date 12/31/05	Opinion Date 3/28/06	Date Accountant Report Submitted to State: 5/30/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

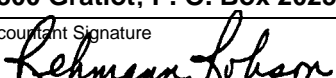
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON - Gerald J. Desloover, CPA			
Street Address 5800 Gratiot; P. O. Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	
		Date 5/30/06	

Charter Township of Delhi

Holt, Michigan



Financial Statements

For the Year Ended December 31, 2005



REHMANN ROBSON

Certified Public Accountants

CHARTER TOWNSHIP OF DELHI

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

March 28, 2006

The Board of Trustees
Charter Township of Delhi
Holt, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **CHARTER TOWNSHIP OF DELHI, MICHIGAN**, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Delhi, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Delhi 's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. These financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of Delhi Charter Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2005.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$46,426,908 (*net assets*). Of this amount, \$8,001,793 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,408,557.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$5,171,946, an increase of \$215,055 in comparison with the prior year. Approximately 99% of this total amount, or \$5,152,443, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,478,017 or 58 percent of total general fund expenditures.
- The Township's total bonded debt decreased by \$1,001,000 during the current fiscal year; no new debt was issued and \$1,001,000 of existing debt was retired.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include legislative, general government, public safety, public works, and parks and recreation. The business-type activities of the Township include sewer and community development operations.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also two legally separate authorities – the Downtown Development Authority and the Brownfield Redevelopment Authority – for which the Township is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Water Improvement Fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

Proprietary funds. There are two types of proprietary funds – enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses two enterprise funds - one to account for its sanitary sewer operations and the other for community development. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Township’s various functions. The Township does not use internal service funds at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 53-69 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of Delhi Charter Township, assets exceeded liabilities by \$46,426,908 at the close of the most recent fiscal year.

By far the largest portion of the Township’s net assets (72 percent) reflects its investment in capital assets (e.g. infrastructure, land, buildings, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Delhi Charter Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$9,845,738	\$9,459,621	\$7,802,405	\$8,809,284	\$17,648,143	\$18,268,905
Capital assets	6,920,660	7,261,814	43,518,009	41,531,822	50,438,669	48,793,636
Total assets	16,766,398	16,721,435	51,320,414	50,341,106	68,086,812	67,062,541
Long term liabilities outstanding	3,624,373	4,161,247	11,868,606	12,949,584	15,492,979	17,110,831
Other liabilities	4,423,713	4,044,045	1,743,212	1,889,314	6,166,925	5,933,359
Total liabilities	8,048,086	8,205,292	13,611,818	14,838,898	21,659,904	23,044,190
Net assets:						
Invested in capital assets, net of related debt	2,904,787	2,747,733	30,568,426	27,311,338	33,473,213	31,708,152
Restricted	1,676,748	1,340,368	3,275,154	3,440,595	4,951,902	4,780,963
Unrestricted	4,136,777	4,428,042	3,865,016	4,750,275	8,001,793	7,529,236
Total Net Assets	\$8,718,312	\$8,516,143	\$37,708,596	\$35,502,208	\$46,426,908	\$44,018,351

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

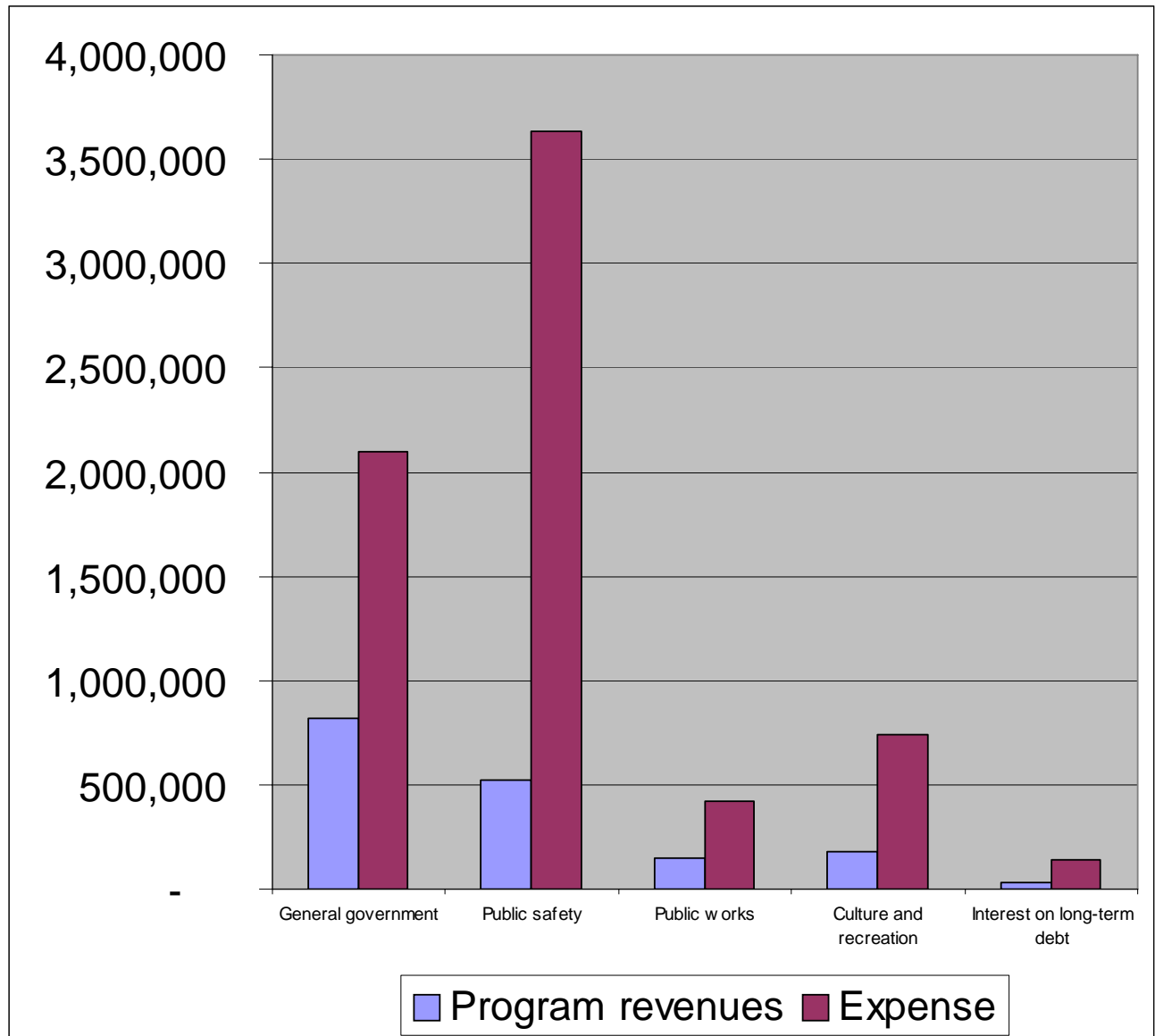
The government's net assets increased by \$2,408,557 during the current fiscal year. The majority of this growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

Delhi Charter Township's Changes in Net Assets

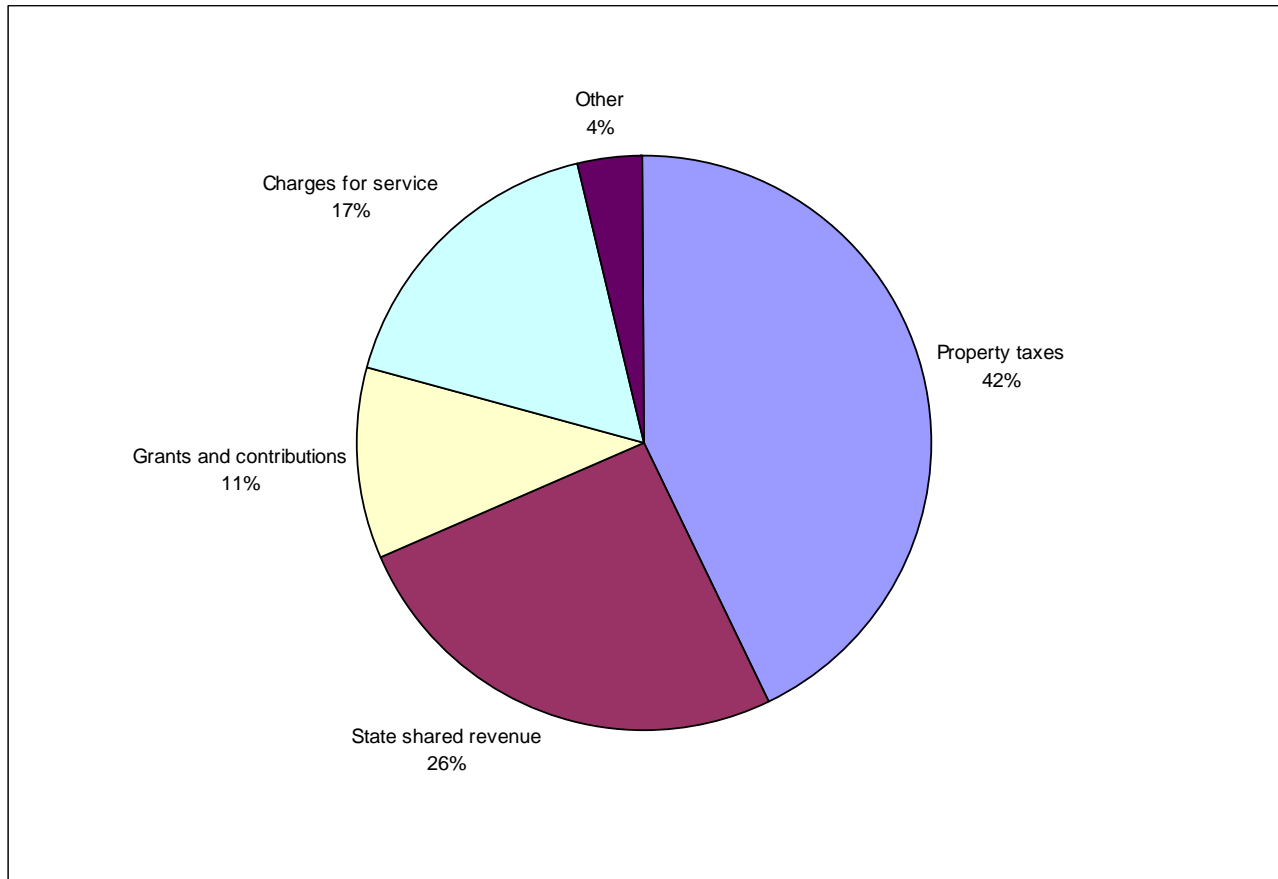
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenues:						
Charges for services	\$ 1,249,551	\$ 1,680,030	\$ 6,279,837	\$ 5,401,343	\$ 7,529,388	\$ 7,081,373
Operating grants and contributions	459,807	506,673	250,731	161,079	710,538	667,752
Capital grants and contributions	(3,396)	306,076	1,550,284	901,587	1,546,888	1,207,663
General revenues:						
Property taxes	3,083,557	2,837,256	-	-	3,083,557	2,837,256
State shared revenue	1,845,018	1,846,592	-	-	1,845,018	1,846,592
Unrestricted grants and contributions	313,785	564,271	-	-	313,785	564,271
Other	257,943	446,586	-	-	257,943	446,586
	-	-	-	-	-	-
Total revenues	7,206,265	8,187,484	8,080,852	6,464,009	15,287,117	14,651,493
Expenses:						
General government	2,096,735	2,588,743	-	-	2,096,735	2,588,743
Public safety	3,629,755	3,743,943	-	-	3,629,755	3,743,943
Public works	420,645	567,311	-	-	420,645	567,311
Culture and recreation	741,668	670,705	-	-	741,668	670,705
Interest on long-term debt	139,856	171,866	-	-	139,856	171,866
Sewer	-	-	5,304,487	5,124,559	5,304,487	5,124,559
Community Development	-	-	545,424	-	545,424	-
	-	-	-	-	-	-
Total expenses	7,028,659	7,742,568	5,849,911	5,124,559	12,878,570	12,867,127
Increase (decrease) in net assets	177,606	444,916	2,230,941	1,339,450	2,408,547	1,784,366
Net assets (deficit), beginning of year, as restated	8,540,706	8,095,790	35,477,655	34,138,205	44,018,361	42,233,995
Net assets, end of year	\$ 8,718,312	\$ 8,540,706	\$ 37,708,596	\$ 35,477,655	\$ 46,426,908	\$ 44,018,361

Governmental activities. Governmental activities increased the Township's net assets by \$177,606 during fiscal year 2005.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

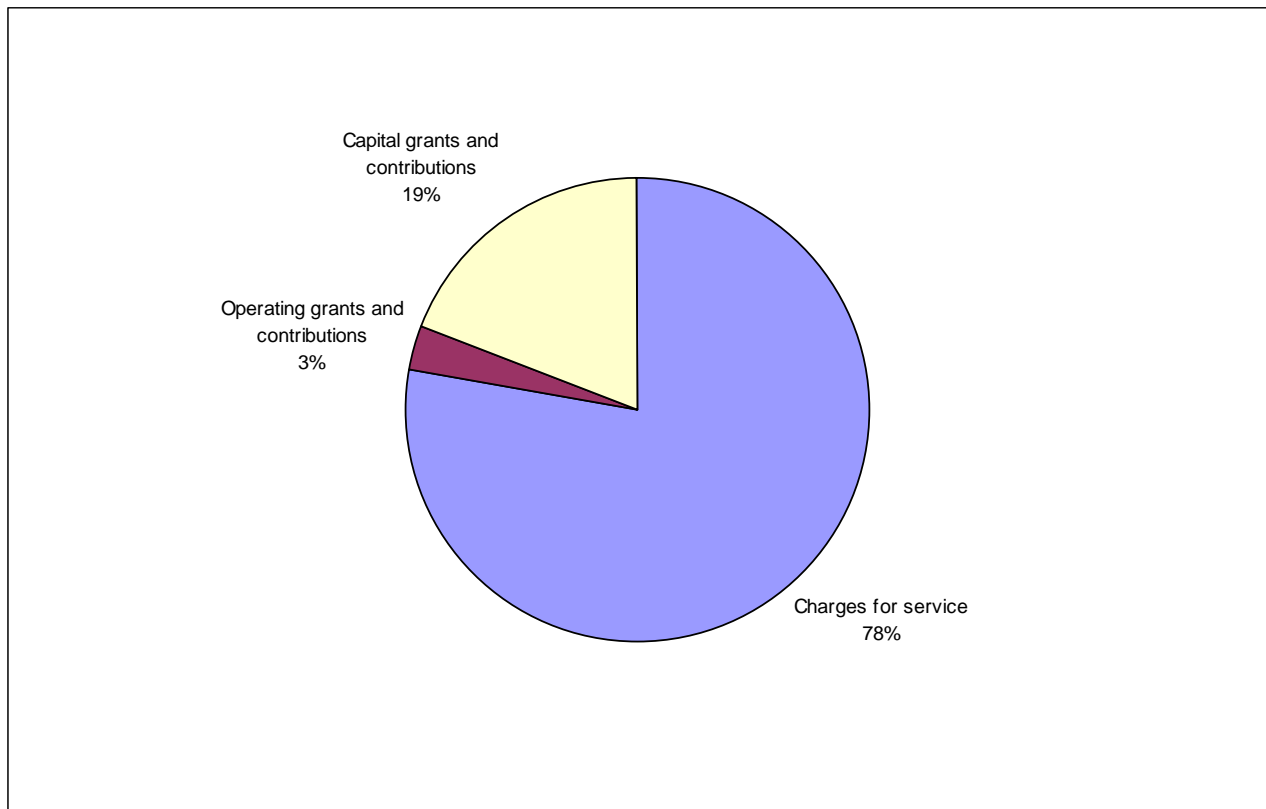


Business-type activities. Business-type activities increased the Township's net assets by \$2,230,941 during fiscal year 2005.

- Key elements of this increase are as follows:

- The majority of increases resulted from the degree to which charges for services exceeded ongoing expenses.

Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$5,171,946 an increase of \$215,055 in comparison with the prior year. Approximately 99 percent of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for prepaid expenditures (\$19,503).

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,478,017 while total fund balance was \$3,495,198. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 58 percent of total general fund expenditures.

The fund balance of the Township's General Fund decreased by \$121,325 during the current fiscal year. For the fourth consecutive year state shared revenues have been lower than the amount received in fiscal year 2001. In fiscal year 2005 the Township received \$458,469 less from the State than it received in fiscal year 2001 (the last year in which state revenues did not decline).

The Water Improvement fund has a total fund balance of \$779,710, which increased by \$66,489 during the year. This increase in fund balance was due to the indefinite postponement of a water construction project.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Total net assets of the Sewer Fund at the end of the year amounted to \$37,625,221; an increase for the year of \$2,123,013. Other factors concerning the finances of this fund has already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgeted revenues were for the most part, twofold: The transfer-in from the Delhi Downtown Development Authority for anticipated street and sidewalk improvements was reduced because those improvements were not made and the transfer-in from the Community Development Fund was eliminated. Final expenditure budgets increased in total from the original budget due to an increase in the contribution to the Parks Fund and an increase to remodel the Community Service Center.

However, actual revenues received in the General Fund were above amended budgetary estimates and actual expenditures were less than the amended budget. Actual revenues were higher than anticipated for interest and constitutional sales state shared revenues. Expenditures were lower because no streets or sidewalks were installed and the engineering department was eliminated in March. This resulted in a decrease in fund balance of \$121,325 that was far less than the final amended budget anticipated amount of \$624,320.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounted to \$50,438,669 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, park and recreation facilities, machinery and equipment and construction in progress. The total increase in the Township's investment in capital assets for the current fiscal year was 3 percent (a 5 percent decrease for governmental activities and a 5 percent increase for business-type activities).

Major capital asset events during the fiscal year included the following:

- Maintenance building improvements for \$631,713.
- Completion of a new outfall line (\$629,876) with \$160,568 spent in 2005.
- Continued work on the Holt/Waverly Pump Station and West Town Drain Sanitary Sewer Interceptor projects with \$142,087 spent in 2005. These projects were funded through the \$2.5 million 2003 Sewer Capital Improvement Bond.
- Completion of the Fay Tolland Sewer project (approximately 1.9 million) with \$297,683 spent in 2005.
- Completion of the POTW expansion with \$43,339 spent in 2005.
- Purchased a vactor for \$255,912.

**Delhi Charter Township's Capital Assets
(net of depreciation)**

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,511,337	\$ 1,448,679	\$ 776,635	\$ 776,635	\$ 2,287,972	\$ 2,225,314
Infrastructure systems	370,314	380,323	38,173,881	33,173,959	38,544,195	33,554,282
Buildings and improvements	2,752,291	2,876,917	1,279,155	385,388	4,031,446	3,262,305
Land improvements	1,264,609	1,364,240	-	-	1,264,609	1,364,240
Machinery and equipment	173,067	153,415	102,559	106,152	275,626	259,567
Furniture and office equipment	108,856	164,966	72,059	41,568	180,915	206,534
Computer equipment and programs	84,822	86,893	8,603	14,080	93,425	100,973
Vehicles	622,465	786,381	445,561	216,155	1,068,026	1,002,536
Construction in progress	32,899	-	2,659,556	6,817,885	2,692,455	6,817,885
Total	\$ 6,920,660	\$ 7,261,814	\$ 43,518,009	\$ 41,531,822	\$ 50,438,669	\$ 48,793,636

Additional information on the Township's capital assets can be found in note 3-C on pages 40-42 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total debt outstanding of \$16,965,456. Of this amount, \$10,605,000 comprises debt backed by the full faith and credit of the government.

Delhi Charter Township's Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 2,984,060	\$ 3,339,025	\$ 7,620,940	\$ 7,940,975	\$ 10,605,000	\$ 11,280,000
Special assessment bonds	229,357	317,750	793,643	1,031,250	1,023,000	1,349,000
Other long-term debt	802,456	857,306	4,535,000	5,248,259	5,337,456	6,105,565
Total	\$ 4,015,873	\$ 4,514,081	\$ 12,949,583	\$ 14,220,484	\$ 16,965,456	\$ 18,734,565

The Township's total bonded debt decreased by \$1,001,000 (13 percent), down to \$11,628,000 during the current fiscal year. No new bonds were issued.

The Township has an "A+" rating from Standard & Poor's. This is their highest rating and reflects a strong capacity to repay the debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Township is \$86,776,175, which is significantly in excess of the Township's outstanding general obligation debt.

Additional information on the Township's long-term debt can be found in note 3-F on pages 44-49 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2006 fiscal year:

- The emphasis on reducing costs yet providing quality services to our citizens continued to be a major consideration in the 2006 budget development. It was determined that the Engineering Department could be eliminated without sacrificing the high level of service provided to the citizens.
- Health care expenditures will be capped at a 5% increase with the anticipation of reducing the benefits provided through employee deductibles and/or requiring higher employee co-payments.
- While the total ad valorem taxable values increased 9.75 percent from 2005 to 2006, that increase drops to 8.4% when the net tax to be captured by the DDA is taken into consideration. During that same time, the DDA taxable value has increased 17.05%. The disparity between those rates will need to be addressed.
- Statutory state-shared revenues are expected to continue to decline as the state's economy continues to decline.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$3,478,017. The Township has appropriated \$379,570 of this amount for spending in the 2006 fiscal year budget. Such appropriation is intended to offset declines in state shared revenues coupled with increasing costs while attempting to maintain current staffing levels and service commitments to the public.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Accounting, 2074 Aurelius Road, Holt, Michigan 48842-6320. Phone (517) 699-3858. E-mail: marian.frane@delhitownship.com.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF DELHI
Statement of Net Assets
December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	2,076,640	\$ 2,155,894	\$ 4,232,534	\$ 1,520,633
Investments	2,370,172	3,947,148	6,317,320	1,723,282
Receivables, net	5,349,547	1,420,174	6,769,721	3,039,678
Prepays and other assets	49,379	279,189	328,568	895
Capital assets not being depreciated	1,544,236	3,436,191	4,980,427	3,438,649
Capital assets being depreciated, net	5,376,424	40,081,818	45,458,242	1,599,821
 Total assets	 16,766,398	 51,320,414	 68,086,812	 11,322,958
Liabilities				
Accounts payable and accrued expenses	238,248	633,249	871,497	892,830
Unearned revenue	3,555,592	28,986	3,584,578	2,519,571
Long-term liabilities:				
Due within one year	629,873	1,080,977	1,710,850	286,818
Due in more than one year	3,624,373	11,868,606	15,492,979	4,284,275
 Total liabilities	 8,048,086	 13,611,818	 21,659,904	 7,983,494
Net assets				
Invested in capital assets, net of related debt	2,904,787	30,568,426	33,473,213	482,577
Restricted for:				
Debt service	224,516	369,570	594,086	-
Other purposes	1,452,232	2,905,584	4,357,816	-
Unrestricted	4,136,777	3,865,016	8,001,793	2,856,887
 Total net assets	 \$ 8,718,312	 \$ 37,708,596	 \$ 46,426,908	 \$ 3,339,464

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 52,334	\$ -	\$ -	\$ -	\$ (52,334)
General government	1,834,790	617,892	-	-	(1,216,898)
Public safety	3,629,755	504,341	19,652	-	(3,105,762)
Engineering	70,538	-	195,417	(68,480)	56,399
Recreation and cultural	741,668	127,318	54,934	-	(559,416)
Infrastructure	350,107	-	18,536	-	(331,571)
Other governmental activities	209,611	-	163,766	38,052	(7,793)
Interest on long-term debt	139,856	-	7,502	27,032	(105,322)
Total governmental activities	<u>7,028,659</u>	<u>1,249,551</u>	<u>459,807</u>	<u>(3,396)</u>	<u>(5,322,697)</u>
Business-type activities:					
Sewer	5,304,487	5,678,173	199,043	1,550,284	2,123,013
Community development	545,424	601,664	51,688	-	107,928
	<u>5,849,911</u>	<u>6,279,837</u>	<u>250,731</u>	<u>1,550,284</u>	<u>2,230,941</u>
Total primary government	<u>\$ 12,878,570</u>	<u>\$ 7,529,388</u>	<u>\$ 710,538</u>	<u>\$ 1,546,888</u>	<u>\$ (3,091,756)</u>
Component units					
Brownfield redevelopment	\$ 159,990	\$ -	\$ 2,392	\$ -	\$ (157,598)
Downtown development	<u>1,234,814</u>	<u>30,535</u>	<u>95,335</u>	<u>-</u>	<u>(1,108,944)</u>
Total component units	<u>\$ 1,394,804</u>	<u>\$ 30,535</u>	<u>\$ 97,727</u>	<u>\$ -</u>	<u>\$ (1,266,542)</u>

continued...

CHARTER TOWNSHIP OF DELHI
Statement of Activities (Concluded)
For the Year Ended December 31, 2005

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (5,322,697)	\$ 2,230,941	\$ (3,091,756)	\$ (1,266,542)
General revenues:				
Property taxes	3,083,557	-	3,083,557	3,123,463
State shared revenue	1,845,018	-	1,845,018	-
Grants and contributions not restricted to specific programs	313,785	-	313,785	-
Unrestricted investment earnings	147,015	-	147,015	-
Gain (loss) on sale of capital assets	110,928	-	110,928	-
Total general revenues	5,500,303	-	5,500,303	3,123,463
Change in net assets	177,606	2,230,941	2,408,547	1,856,921
Net assets, beginning of year, as restated	8,540,706	35,477,655	44,018,361	1,482,543
Net assets, end of year	<u>\$ 8,718,312</u>	<u>\$ 37,708,596</u>	<u>\$ 46,426,908</u>	<u>\$ 3,339,464</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF DELHI**Balance Sheet****Governmental Funds****December 31, 2005**

	General	Water Improvement	Nonmajor Funds	Totals
Assets				
Cash and cash equivalents	\$ 1,220,107	\$ 117,003	\$ 739,530	\$ 2,076,640
Investments	1,477,423	720,218	172,531	2,370,172
Taxes receivable	2,770,785	-	703,317	3,474,102
Special assessments receivable	47,033	779,090	54,797	880,920
Other receivables	839,070	6,450	10,244	855,764
Due from component unit	138,761	-	-	138,761
Prepays	17,181	-	2,322	19,503
<u>TOTAL ASSETS</u>	\$ 6,510,360	\$ 1,622,761	\$ 1,682,741	\$ 9,815,862
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 72,488	\$ 80,000	\$ 9,560	\$ 162,048
Accrued liabilities	37,337	-	5,261	42,598
Deferred revenue	2,905,337	763,051	770,882	4,439,270
Total liabilities	3,015,162	843,051	785,703	4,643,916
Fund balances				
Reserved for prepaids	17,181	-	2,322	19,503
Unreserved, designated for debt service	-	402,384	-	402,384
Unreserved:				
Designated for drain improvements	340,468	-	-	340,468
Undesignated	3,137,549	377,326	-	3,514,875
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	670,200	670,200
Debt service funds	-	-	224,516	224,516
Total fund balances	3,495,198	779,710	897,038	5,171,946
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 6,510,360	\$ 1,622,761	\$ 1,682,741	\$ 9,815,862

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
December 31, 2005

Fund balances - total governmental funds	\$ 5,171,946
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets not being depreciated	1,544,236
Add: capital assets being depreciated, net	5,376,424

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term receivables	883,678
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable and other long-term debt	(4,015,873)
Subtract: compensated absences	(238,373)
Subtract: accrued interest on long-term liabilities	(33,602)
Add: unamortized bond issue costs on refunding	29,876

Net assets of governmental activities	\$ 8,718,312
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Water Improvement	Nonmajor Funds	Totals
Revenue				
Taxes	\$ 2,415,749	\$ -	\$ 667,808	\$ 3,083,557
Special assessments	218,413	38,052	27,032	283,497
Intergovernmental	1,948,687	-	-	1,948,687
Licenses and permits	16,262	-	-	16,262
Charges for services	1,105,971	-	127,318	1,233,289
Interest	147,015	22,708	27,009	196,732
Other	680,652	141,058	55,079	876,789
Total revenue	6,532,749	201,818	904,246	7,638,813
Expenditures				
Current:				
Legislative	52,334	-	-	52,334
General government	1,907,548	-	-	1,907,548
Public safety	3,336,141	-	143,011	3,479,152
Engineering	60,529	-	-	60,529
Infrastructure	350,107	-	-	350,107
Recreation and cultural	-	-	622,949	622,949
Other	195,819	13,792	-	209,611
Debt service:				
Principal	21,517	34,965	441,726	498,208
Interest	-	43,562	90,829	134,391
Capital outlay	123,449	28,740	67,668	219,857
Total expenditures	6,047,444	121,059	1,366,183	7,534,686
Revenue over (under) expenditures	485,305	80,759	(461,937)	104,127
Other financing sources (uses)				
Proceeds from sale of capital assets	1,003	-	109,925	110,928
Transfers in	-	-	621,903	621,903
Transfers (out)	(607,633)	(14,270)	-	(621,903)
Total other financing sources (uses)	(606,630)	(14,270)	731,828	110,928
Net change in fund balances	(121,325)	66,489	269,891	215,055
Fund balances, beginning of year	3,616,523	713,221	627,147	4,956,891
Fund balances, end of year	\$ 3,495,198	\$ 779,710	\$ 897,038	\$ 5,171,946

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$	215,055
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Amounts reported for *governmental activities* in the statement of activities are different different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		195,647
Subtract: depreciation expense		(527,699)
Subtract: proceeds from sale of capital assets		(110,928)
Add: gain on disposal of capital assets		110,928

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: change in deferred long-term receivables		(100,000)
Subtract: change in deferred special assessments receivable		(91,476)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.

Add: principal payments on long-term liabilities		498,208
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: change in accrued interest on bonds		(5,465)
Subtract: increase in the accrual of compensated absences		(6,664)

Change in net assets of governmental activities	\$	177,606
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The accompanying notes are an integral part of these financial statement

CHARTER TOWNSHIP OF DELHI
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenue				
Taxes	\$ 2,352,360	\$ 2,415,360	\$ 2,415,749	\$ 389
Special assessments	227,500	210,000	218,413	8,413
Intergovernmental	1,767,290	1,881,220	1,948,687	67,467
Licenses and permits	11,250	15,450	16,262	812
Charges for services	1,101,840	1,066,050	1,105,971	39,921
Interest	101,000	121,000	147,015	26,015
Other	1,077,240	680,960	680,652	(308)
Total revenue	6,638,480	6,390,040	6,532,749	142,709
Expenditures				
Legislative:				
Board of Trustees	56,230	56,230	52,334	(3,896)
General government:				
Supervisor	308,610	322,110	320,671	(1,439)
Accounting	170,820	170,820	164,070	(6,750)
Clerk	324,110	324,110	291,842	(32,268)
Computer	250,820	196,820	177,244	(19,576)
Treasurer	282,880	281,380	273,357	(8,023)
Assessor	296,100	292,600	264,262	(28,338)
Elections	34,980	26,480	18,246	(8,234)
Building and grounds	325,490	325,490	313,244	(12,246)
Cemetery	58,480	83,200	84,612	1,412
Total general government	2,052,290	2,023,010	1,907,548	(115,462)
Public safety:				
Police	2,080,340	2,080,340	2,079,204	(1,136)
Fire	1,305,640	1,305,640	1,256,937	(48,703)
Total public safety	3,385,980	3,385,980	3,336,141	(49,839)
Engineering	151,430	61,380	60,529	(851)
Infrastructure	637,000	467,430	350,107	(117,323)

CHARTER TOWNSHIP OF DELHI
Budget and Actual (Concluded)
Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Expenditures (concluded)				
Other	\$ 242,370	\$ 227,370	\$ 195,819	\$ (31,551)
Debt service - principal	-	-	21,517	21,517
Capital outlay	38,800	187,800	123,449	(64,351)
Total expenditures	6,564,100	6,409,200	6,047,444	(361,756)
Revenue over (under) expenditures	74,380	(19,160)	485,305	504,465
Other financing sources (uses)				
Proceeds from sale of capital assets	1,000	1,000	1,003	3
Transfers out	(548,500)	(606,160)	(607,633)	(1,473)
Total other financing (uses)	(547,500)	(605,160)	(606,630)	(1,470)
Net change in fund balances	(473,120)	(624,320)	(121,325)	502,995
Fund balance, beginning of year	3,616,523	3,616,523	3,616,523	-
Fund balance, end of year	\$ 3,143,403	\$ 2,992,203	\$ 3,495,198	\$ 502,995

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Water Improvement Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenue				
Special assessments	\$ 26,680	\$ 26,680	\$ 38,052	\$ 64,732
Interest	2,000	2,000	22,708	20,708
Other revenue	135,000	135,000	141,058	6,058
Total revenue	163,680	163,680	201,818	38,138
Expenditures				
Current:				
Other	30,730	30,730	13,792	(16,938)
Debt service:				
Principal	34,970	34,970	34,965	(5)
Interest	43,430	43,430	43,562	132
Capital outlay	225,000	225,000	28,740	(196,260)
Total expenditures	334,130	334,130	121,059	(213,071)
Revenue over (under) expenditures	(170,450)	(170,450)	80,759	251,209
Other financing sources (uses)				
Transfers (out)	-	-	(14,270)	(14,270)
Total other financing sources (uses)	-	-	(14,270)	(14,270)
Net changes in fund balances	(170,450)	(170,450)	66,489	236,939
Fund balances, beginning of year	713,221	713,221	713,221	-
Fund balances end of year	\$ 542,771	\$ 542,771	\$ 779,710	\$ 236,939

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Net Assets
Enterprise Funds
December 31, 2005

		Non-Major Fund	
	Sewer	Community Development	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 400,345	\$ 151,310	\$ 551,655
Investments	2,276,233	-	2,276,233
Special assessments receivable	610,540	16,604	627,144
Other receivables	793,030	-	793,030
Prepays	10,175	1,108	11,283
Other assets	267,906	-	267,906
Total current assets	4,358,229	169,022	4,527,251
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Debt service cash and cash equivalents	369,570	-	369,570
Replacement and construction cash and cash equivalents	1,234,669	-	1,234,669
Replacement and construction investments	1,670,915	-	1,670,915
Capital assets not being depreciated	3,436,191	-	3,436,191
Capital assets being depreciated, net	40,078,881	2,937	40,081,818
Total noncurrent assets	46,790,226	2,937	46,793,163
Total assets	51,148,455	171,959	51,320,414
Liabilities			
Current liabilities:			
Accounts payable	290,330	7,919	298,249
Accrued liabilities	107,920	51,679	159,599
Interest payable	151,541	-	151,541
Deposits payable	23,860	-	23,860
Deferred revenue	-	28,986	28,986
Current portion of long-term debt	1,080,977	-	1,080,977
Total current liabilities	1,654,628	88,584	1,743,212
Long-term liabilities:			
Due in more than one year	11,868,606	-	11,868,606
Total liabilities	13,523,234	88,584	13,611,818
Net assets			
Invested in capital assets, net of related debt	30,565,489	2,937	30,568,426
Restricted for:			
Replacement	1,918,271	-	1,918,271
Debt service	369,570	-	369,570
Construction projects and special assessments	987,313	-	987,313
Unrestricted	3,784,578	80,438	3,865,016
Total net assets	\$ 37,625,221	\$ 83,375	\$ 37,708,596

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Revenue, Expenses
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2005

	Sewer	Non-Major Fund Community Development	Total
Operating revenue			
Charges for services	\$ 4,489,034	\$ 601,664	\$ 5,090,698
Permits and fees	887,265	-	887,265
Other operating revenue	296,174	49,670	345,844
Total operating revenue	5,672,473	651,334	6,323,807
Operating expense			
Cost of services	3,023,913	539,259	3,563,172
Depreciation	1,618,703	6,165	1,624,868
Total operating expense	4,642,616	545,424	5,188,040
Operating income	1,029,857	105,910	1,135,767
Non-operating revenue (expenses)			
Interest and rentals	204,743	2,018	206,761
Interest expense	(661,871)	-	(661,871)
Total non-operating revenue (expenses)	(457,128)	2,018	(455,110)
Net income before capital contributions	572,729	107,928	680,657
Capital contributions	1,550,284	-	1,550,284
Change in net assets	2,123,013	107,928	2,230,941
Net assets, beginning of year, as restated	35,502,208	(24,553)	35,477,655
Net assets, end of year	\$ 37,625,221	\$ 83,375	\$ 37,708,596

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2005

		Non-Major Fund	
	Sewer	Community Development	Total
Cash flows from operating activities			
Cash received from customers	\$ 5,843,093	\$ 634,730	\$ 6,477,823
Cash payments to suppliers for goods and services	(1,975,404)	(220,260)	(2,195,664)
Cash payments to employees for services	(1,085,091)	(265,178)	(1,350,269)
Net cash provided by operating activities	2,782,598	149,292	2,931,890
Cash flows from capital and related financing activities			
Purchase of capital assets	(2,051,669)	-	(2,051,669)
Interest payments	(636,755)	-	(636,755)
Principal payments	(1,270,901)	-	(1,270,901)
Net cash used by capital and related financing activities	(3,959,325)	-	(3,959,325)
Cash flows from investing activities			
Purchase of investments	(792,465)	-	(792,465)
Interest and rental earnings	204,743	2,018	206,761
Net cash provided by (used in) investing activities	(587,722)	2,018	(585,704)
Net increase (decrease) in cash and cash equivalents	(1,764,449)	151,310	(1,613,139)
Cash and cash equivalents, beginning of year	3,769,033	-	3,769,033
Cash and cash equivalents, end of year	\$ 2,004,584	\$ 151,310	\$ 2,155,894
Statement of Net Assets classification of cash:			
Cash and cash equivalents	\$ 400,345	\$ 151,310	\$ 551,655
Restricted cash and cash equivalents	1,604,239	-	1,604,239
	\$ 2,004,584	\$ 151,310	\$ 2,155,894

CHARTER TOWNSHIP OF DELHI
Statement of Cash Flows
Enterprise Funds (Concluded)
For the Year Ended December 31, 2005

		Non-Major Fund	
	Sewer	Community Development	Total
Cash flows from operating activities			
Operating income	\$ 1,029,857	\$ 105,910	\$ 1,135,767
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,618,703	6,165	1,624,868
(Increase) decrease in:			
Special assessments receivable	179,592	(16,604)	162,988
Accounts receivable	(8,972)	-	(8,972)
Prepaid expenses	(3,485)	(1,108)	(4,593)
Increase (decrease) in:			
Accounts payable	27,711	7,919	35,630
Accrued expenses	(3,099)	18,024	14,925
Deferred revenue	-	28,986	28,986
Deposits payable	(57,709)	-	(57,709)
Net cash provided by operating activities	<u>\$ 2,782,598</u>	<u>\$ 149,292</u>	<u>\$ 2,931,890</u>

Non-cash transactions:

Contributions of capital assets amounting to \$1,550,284 were made during the year 2005 to record the cost of sewer systems accepted by the Township from various developers.

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Fiduciary Net Assets
December 31, 2005

	<u>Private Purpose Trust Cemetery</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 69,318	\$ 12,303,553
Taxes receivable	<u>-</u>	<u>17,713,782</u>
Total assets	<u>69,318</u>	<u>\$ 30,017,335</u>
Liabilities		
Due to other governments	-	\$ 29,569,187
Undistributed receipts	<u>-</u>	<u>448,148</u>
Total liabilities	<u>-</u>	<u>\$ 30,017,335</u>
Net assets		
Held in trust for individuals	<u>\$ 69,318</u>	

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Year Ended December 31, 2005

	<u>Private Purpose Trust Cemetery</u>
Additions	
Interest	\$ 1,678
Deductions	
Cemetery perpetual care	<u>-</u>
Change in net assets	1,678
Net assets, beginning of year, as restated	<u>67,640</u>
Net assets, end of year	<u><u>\$ 69,318</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Combining Statement of Net Assets
Component Units
December 31, 2005

	Brownfield Redevelopment Authority	Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 5,955	\$ 1,514,678	\$ 1,520,633
Investments	-	1,723,282	1,723,282
Receivables, net	182,374	2,857,304	3,039,678
Prepaid items and other assets	-	895	895
Capital assets not being depreciated	-	3,438,649	3,438,649
Capital assets being depreciated, net	-	1,599,821	1,599,821
Total assets	188,329	11,134,629	11,322,958
Liabilities			
Accounts payable and accrued expenses	4,104	888,726	892,830
Deferred revenue	167,732	2,351,839	2,519,571
Long-term liabilities:			
Due within one year	-	286,818	286,818
Due in more than one year	-	4,284,275	4,284,275
Total liabilities	171,836	7,811,658	7,983,494
Net assets			
Invested in capital assets, net of related debt	-	482,577	482,577
Unrestricted	16,493	2,840,394	2,856,887
Total net assets	\$ 16,493	\$ 3,322,971	\$ 3,339,464

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF DELHI
Combining Statement of Activities
Component Units
For the Year Ended December 31, 2005

	Brownfield Redevelopment Authority	Downtown Development Authority	Total
Expenses			
Brownfield redevelopment	\$ 159,990	\$ -	\$ 159,990
Downtown development	-	1,234,814	1,234,814
Total expenses	159,990	1,234,814	1,394,804
Program revenues			
Charges for services	-	30,535	30,535
Operating grants and contributions	2,392	95,335	97,727
Total program revenues	2,392	125,870	128,262
Net expense	(157,598)	(1,108,944)	(1,266,542)
General revenues			
Property taxes	156,365	2,967,098	3,123,463
Total general revenues	156,365	2,967,098	3,123,463
Change in net assets	(1,233)	1,858,154	1,856,921
Net assets, beginning of year	17,726	1,464,817	1,482,543
Net assets, end of year	\$ 16,493	\$ 3,322,971	\$ 3,339,464

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Delhi have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

1-A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

Discretely Presented Component Units - The component units column in the government-wide financial statements include the financial data of the following component units. These units are reported in a separate column to emphasize they are legally separate from the Township.

The *Downtown Development Authority* of the Charter Township of Delhi is organized pursuant to Charter Township of Delhi Ordinance No. 80 and Act 197 of the Public Acts of 1975 of the State of Michigan, as amended. The primary purpose of the Authority is to provide for the ongoing maintenance, promotion, security and continued operation of the downtown district. A tax increment financing district was established to finance these activities. The members of the Board of Directors of the Authority are appointed by the Township Board.

The *Delhi Township Brownfield Redevelopment Authority* is organized pursuant to Section 13(1) of the State of Michigan's Brownfield Redevelopment Financing Act (Public Act 381 of 1996, as amended by Public Act 145 of 2000). The primary purpose of the Authority is to clean up environmentally challenged properties in the Township and prepare them for desirable and productive re-uses. Tax increment financing will be used to finance these activities. The members of the Board of Directors of the Authority are appointed by the Township Board.

The Downtown Development Authority and the Brownfield Redevelopment Authority are considered component units of the Charter Township of Delhi because the Township appoints the Authorities' Board members and has the ability to significantly influence operations of the Authorities.

The *Economic Development Corporation* of the Charter Township of Delhi ("EDC") is a nonstock, nonprofit corporation. The EDC's activities are financed through application fees. The primary purpose of the corporation is to encourage and assist commercial enterprises to locate and expand facilities and services in the Township and to its residents through the issuance of tax-exempt financing. The Corporation is organized pursuant to the State of Michigan, Public Act 338 of 1974, as amended. Members of the Board of Directors of the Corporation are appointed by the officers of the Corporation with the advice of the Delhi Township Board of Trustees. Its fiscal year end is May 31st.

The EDC had no activity during the period ended December 31, 2005. The Corporation has no remaining fund assets, liabilities or equity.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

1-B. Basis of Presentation

Government-wide Financial Statements. The statements of net assets and activities display information about the primary government (the “Township”) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the Township’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Township and for each function of the Township’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Township’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Township reports the following major governmental funds:

General fund. This is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Water Improvement fund. This fund accounts for resources accumulated for the costs of ensuring safe and reliable systems for township drinking water.

The Township reports the following major enterprise fund:

Sewage enterprise fund (Sewer Disposal System). This fund accounts for the activities of the Township’s sewage disposal and sewage treatment systems that are financed primarily by user charges for those services.

Additionally, the Township reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including trust or major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

Enterprise fund. These funds account for those operations that are financed and operated in a manner similar to private business or where the Township has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private purpose trust fund. This fund accounts for contributions earmarked for perpetual care of graves of individuals.

Agency funds. These funds account for assets held for other governments in an agency capacity.

1-C. Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the Township gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Township considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the Township funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Township's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

All governmental and business-type activities and proprietary funds of the Township follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

1-D. Assets, Liabilities and Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants, Michigan law, or Township ordinance. Certain general fund assets have been restricted for surplus drain funds. This amount is to be utilized to alleviate drainage problems within the Township.

Receivables and Payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date of donation. Repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest is capitalized on proprietary fund assets that are constructed utilizing debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project.

Capital assets are defined by the Township as assets with an original cost of \$1,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Sewage mains and infrastructure	40
Building	40
Building improvements	20
Land improvements	15
Machinery and equipment	5-10
Computer equipment	3-10
Furniture and fixtures	10
Vehicles	5-7

Compensated Absences

It is the Township's policy to permit employees to accumulate a limited amount of earned but unused sick and vacation leave, which will be paid to employees upon separation from the Township. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the Board of Trustees to carry forward.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to September 1 of each year, the Township manager submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees. Budget revisions made to the component unit's (Downtown Development Authority) budget are approved by the Downtown Development Authority Board. If the component unit's budget amendments have an impact on fund balance, the Township Board of Trustees also needs to approve the amendments.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and the proprietary fund. Similarly, the Township also adopts budgets, on a project basis, for all capital projects.
6. Budgets for general, special revenue, debt service funds and proprietary fund are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

7. The budget is prepared by fund and function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

It is important to note that capital outlay is budgeted by department, and not in total. This may have an impact on variances as presented in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

2-B. Excess of Expenditures Over Appropriations

There were no reported excesses of expenditures over final budgeted amounts for the year ended December 31, 2005.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

3-A. Deposits and Investments

Summary of Deposit and Investment Balances. Following is a reconciliation of deposit and investment balances as of December 31, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Assets:			
Cash and cash equivalents	\$ 4,232,534	\$ 1,520,633	\$ 5,753,167
Investments	6,317,320	1,723,282	8,040,602
Statement of Fiduciary Net Assets:			
Cash and cash equivalents	<u>12,372,871</u>	<u>-</u>	<u>12,372,871</u>
Total	<u>\$ 22,922,725</u>	<u>\$ 3,243,915</u>	<u>\$ 26,166,640</u>
Deposits and Investments:			
Bank deposits (checking accounts, savings accounts and CDs)			\$ 10,588,183
Investments in securities, mutual funds and similar vehicles			15,576,457
Cash on hand			<u>2,000</u>
Total			<u>\$ 26,166,640</u>

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

The Township chooses to disclose its investments by specifically identifying each. At December 31, 2005, the Township had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA Class Investment Pool	n/a	\$ 585,778	n/a
LaSalle Bank Money Market	n/a	13,394,410	S&P – AAAm
Federal Home Loan Bank Note	7/10/13	95,781	n/a
Federal Home Loan Bank Note	6/15/15	92,869	n/a
Federal Home Loan Bank Note	12/30/10	97,156	n/a
Federal Home Loan Bank Note	3/10/09	98,469	n/a
Federal Home Loan Bank Note	5/4/09	122,500	n/a
Federal Home Loan Bank Note	5/15/13	188,842	n/a
Federal Home Loan Bank Note	10/29/07	162,731	n/a
Federal Home Loan Bank Note	3/15/08	239,845	n/a
US Treasury Note	n/a	266,733	n/a
US Treasury Note	n/a	97,478	n/a
US Treasury Note	n/a	127,644	n/a
GNMA Pass-thru Pool	n/a	<u>6,221</u>	n/a
		<u>\$ 15,576,457</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$8,137,257 of the Township's bank balance of \$10,047,323 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk as these investments are held by the counterparty in the Township's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy allows for no more than \$5,000,000 to be invested in any one institution exclusive of trust and agency accounts. All investments held at year end are reported above.

3-B. Receivables

Receivables in the governmental activities are 12 percent due from other governments, 6 percent accounts receivables, 65 percent property taxes, 16 percent special assessments, and 1 percent other. 93 percent, or \$816,000, of the special assessment receivables are not expected to be collected within one year. All of the accounts receivables are expected to be collected within one year. Business-type activities receivables are 100 percent due from customers.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Special assessments not yet due (general and debt service funds)	\$ 815,678	\$ -	\$ 815,678
Long term accounts receivable	68,000	249,354	317,354
Property taxes levied for next fiscal year	<u>-</u>	<u>3,306,238</u>	<u>3,306,238</u>
	<u>\$ 883,678</u>	<u>\$ 3,555,592</u>	<u>\$ 4,439,270</u>

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

3-C. Capital Assets

Capital assets activity for the year ended December 31, 2005, was as follows:

Primary government

	Balance December 31, 2004	Restatement and Reclassifications	Additions	Deductions	Balance December 31, 2005
<u>Governmental Activities</u>					
Land	\$ 1,448,679	\$ -	\$ 62,658	\$ -	\$ 1,511,337
Construction in progress	-	-	32,899	-	32,899
Total capital assets not being depreciated	1,448,679	-	95,557	-	1,544,236
Capital assets being depreciated:					
Buildings and improvements	4,671,031	-	-	-	4,671,031
Land improvements	1,787,644	-	3,135	-	1,790,779
Machinery and equipment	680,043	-	65,277	58,846	686,474
Furniture and office equipment	576,580	(38,049)	-	7,536	530,995
Flowage rights	400,340	-	-	-	400,340
Computer equipment and programs	286,395	(2,933)	31,678	32,488	282,652
Vehicles	2,093,291	(45,102)	-	21,043	2,027,146
Subtotal	10,495,324	(86,084)	100,090	119,913	10,389,417
Accumulated depreciation					
Buildings and improvements	1,794,114	-	124,626	-	1,918,740
Land improvements	423,404	-	102,766	-	526,170
Machinery and equipment	526,628	-	45,625	58,846	513,407
Furniture and office equipment	411,614	(32,990)	51,051	7,536	422,139
Flowage rights	20,017	-	10,009	-	30,026
Computer equipment and programs	199,502	(2,640)	33,456	32,488	197,830
Vehicles	1,306,910	(41,352)	160,166	21,043	1,404,681
Total accumulated depreciation	4,682,189	(76,982)	527,699	119,913	5,012,993
Total capital assets being depreciated - net	5,813,135	(9,102)	(427,609)	-	5,376,424
Governmental activities capital assets - net	\$ 7,261,814	\$ (9,102)	\$ (332,052)	\$ -	\$ 6,920,660

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

	Balance December 31, 2004	Restatement	Additions	Deductions	Balance December 31, 2005
<u>Business-type Activities</u>					
Capital assets not being depreciated:					
Land	\$ 776,635	\$ -	\$ -	\$ -	\$ 776,635
Construction in progress	6,817,885	-	965,442	5,123,771	2,659,556
Subtotal	7,594,520	-	965,442	5,123,771	3,436,191
Capital assets being depreciated:					
Sewage disposal plant and equipment	16,453,504	-	2,961,948	-	19,415,452
Sewer mains	32,801,919	-	2,903,602	-	35,705,521
Outfall lines	502,517	-	629,876	-	1,132,393
Furniture and office equipment	98,803	38,049	36,721	308	173,265
Computer equipment	54,704	2,933	-	-	57,637
Vehicles	555,168	45,102	286,912	12,513	874,669
Machinery and equipment	381,083	-	26,340	3,263	404,160
Maintenance facility	503,066	-	914,883	-	1,417,949
Subtotal	51,350,764	86,084	7,760,282	16,084	59,181,046
Accumulated depreciation					
Sewage disposal plant and equipment	6,775,386	-	647,547	-	7,422,933
Sewer mains	9,571,751	-	838,779	-	10,410,530
Outfall lines	236,844	-	9,178	-	246,022
Furniture and office equipment	57,235	32,990	11,289	308	101,206
Computer equipment	40,624	2,640	5,770	-	49,034
Vehicles	339,013	41,352	61,256	12,513	429,108
Machinery and equipment	274,931	-	29,933	3,263	301,601
Maintenance facility	117,678	-	21,116	-	138,794
Total accumulated depreciation	17,413,462	76,982	1,624,868	16,084	19,099,228
Total capital assets being depreciated - net	33,937,302	9,102	6,135,414	-	40,081,818
Business-type activities capital assets - net	\$ 41,531,822	\$ 9,102	\$ 7,100,856	\$ 5,123,771	\$ 43,518,009

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

<u>Component Unit</u>	Balance December 31, 2004	Restatement	Additions	Deductions	Balance December 31, 2005
Capital assets not being depreciated:					
Land	\$ 2,732,052	\$ -	\$ 706,597	\$ -	\$ 3,438,649
Subtotal	2,732,052	-	706,597	-	3,438,649
Capital assets being depreciated:					
Buildings	1,000,174	-	6,435	-	1,006,609
Land improvements	970,988	-	-	-	970,988
Machinery and equipment	43,613	-	-	-	43,613
Furniture and equipment	76,020	-	-	-	76,020
Subtotal	2,090,795	-	6,435	-	2,097,230
Accumulated depreciation					
Buildings	10,418	-	25,129	-	35,547
Land improvements	381,089	-	64,733	-	445,822
Machinery and equipment	1,454	-	4,361	-	5,815
Furniture and equipment	2,624	-	7,601	-	10,225
Total accumulated depreciation	395,585	-	101,824	-	497,409
Total capital assets being depreciated - net	1,695,210	-	(95,389)	-	1,599,821
Component unit capital assets - net	\$ 4,427,262	\$ -	\$ 611,208	\$ -	\$ 5,038,470

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 252,948
Public safety	146,653
Engineering	10,009
Recreation and cultural	<u>118,089</u>

Total \$ 527,699

Business-type activity –

Sewer	<u><u>\$ 1,624,868</u></u>
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CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

3-D. Payables

Payables in the governmental activities are 68 percent vendors, 18 percent accrued payroll, and 14 percent interest. Business-type activities payables are 42 percent vendors, 13 percent deposits, 18 percent accrued payroll, and 27 percent accrued interest.

3-E. Interfund Receivables, Payables and Transfers

Receivables and Payables

The Township often has interfund balances between its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There were no interfund receivables/payables at December 31, 2005.

Transfers

For the year then ended, interfund transfers consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 607,633
Water improvement		14,270
Nonmajor governmental funds	<u>621,903</u>	<u>-</u>
Total	<u>\$ 621,903</u>	<u>\$ 621,903</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

3-F. Long-term Debt

General Obligation Bonds

The Township issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary fund if they are expected to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 5 to 30 year serial bonds.

\$1,032,300, 2002 Water Improvement District, Serial Bonds, due in annual installments of \$36,630 to \$79,088 through 2022, interest at 3.1% to 5.00%. The Township issued bonds totaling \$6,200,000 of which 16.65% (\$1,032,300) was for water improvement (general long-term debt) and 83.35% (\$5,167,700) was for sanitary sewer (enterprise fund) \$ 939,060

\$2,365,000, 2004 General Obligation Community Service Center Refunding Bonds, due in annual installments of \$320,000 to \$475,000 through May 1, 2010, interest at 2.0% to 2.6%. 2,045,000

\$ 2,984,060

Special Assessment Bonds Payable

The Township has issued special assessment bonds payable. The government pledges special assessments levied against taxpayers' benefiting from a specific construction asset which are collectible over a period of years. In addition, the Township has pledged, in certain of the following, its full faith and credit within statutory limitations:

\$48,000, 1991 Water Improvement District #70, Serial Bonds, due in annual installments of \$3,200 through 2006, interest at 7.00%. The Township issued one bond issue for \$600,000 of which 8% was for Water Improvement District #70 (\$48,000) and 92% was for 1991 Sanitary Sewer (\$552,000) \$ 3,200

\$108,000, 1991 Water Improvement District #71, Serial Bonds, due in annual installments of \$6,800 through 2006, interest at 6.00% to 6.65%. The Township issued one bond issue for \$320,000 for both the Water Improvement District #71 (34% of issue) and #72 (66% of issue) 6,800

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

\$211,200, 1991 Water Improvement District #72, Serial Bonds, due in annual installments of \$13,200 through 2006, interest at 6.00% to 6.65%.

The Township issued one bond issue for \$320,000 for both the Water Improvement District #71 (34% of issue) and #72 (66% of issue) \$ 13,200

\$435,000, 1996 Pine Tree Road Improvement, Serial Bonds, due in annual installments of \$30,193 through 2011, interest at 5.00%. The Township issued one bond issue for \$1,945,000 of which 78% was for the sanitary sewer special assessment (\$1,510,000) and 22% was for the Pine Tree Road Improvement (\$435,000) 181,157

\$130,000, 1997 Water Improvement District #128, serial bonds, due in annual installments of \$10,000 to \$15,000 through 2007, interest at 4.8% to 5.0% 25,000

\$ 229,357

Other Long-term Debt

The government is assessed for drains at large by Ingham County. The assessment covers the Township's share of installation and flowage rights for the drains. General assessments outstanding at year-end are as follows:

<u>Purpose</u>	<u>Amount</u>	<u>Fiscal year Due</u>	<u>Interest Rate</u>
Governmental activities	<u>\$ 335,789</u>	2022	Imputed at 4%

The Township has entered into an installment purchase agreement to purchase property. This obligation is summarized as follows:

<u>Purpose</u>	<u>Amount</u>	<u>Fiscal year Due</u>	<u>Interest Rate</u>
Governmental activities	<u>\$ 466,667</u>	2019	3.49%

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

Enterprise Fund

General Obligation Bonds Payable:

\$1,000,000, 1996 Sanitary Sewer general obligation bonds, due in annual installments of \$70,000 to \$95,000 through 2011, interest at 5.00% to 5.40% \$ 495,000

\$2,500,000, 2003 Sanitary Sewer general obligation bonds, due in annual installments of \$80,000 to \$195,000 through 2024, interest at 3.00% to 4.75% 2,425,000

\$5,167,700, 2002 Sanitary Sewer general obligation bonds, due in annual installments of \$183,370 to \$395,912 through 2022, interest at 3.10% to 5.00%. The Township issued one bond issue for \$6,200,000 of which 83.35% (\$5,167,700) was for sanitary sewer (enterprise fund) and 16.65% (\$1,037,300) was for water improvement (general long-term debt) 4,700,940

\$ 7,620,940

Special assessment bonds payable:

The Township has issued special assessment bonds payable. The government pledges special assessments levied against taxpayers benefiting from a specific constructed asset and collectible over a period of years.

\$552,000, 1991 Sanitary Sewer Special Assessment Bonds (Section 2), due in annual installments of \$36,800 through 2006, interest at 7.00%. The Township issued one bond issue for \$600,000 of which 8% was for Water Improvement District #70 (\$48,000) and 92% for 1991 Sanitary Sewer (\$552,000) \$ 36,800

\$645,000, 1992 Sanitary Sewer Special Assessment Bonds (South Cedar), due in annual installments of \$40,000 through 2007, interest at 6.25% 80,000

\$230,000, 1993 Sanitary Sewer Special Assessment Bonds (Harper Wentland), due in annual installments of \$16,000 through 2008, interest at 5.30% to 5.50% 48,000

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

\$1,510,000, 1996 Sanitary Sewer Special Assessment Bonds (Dell Willoughby), due in annual installments of \$104,807 through 2011, interest at 5.00%. The Township issued one bond issue for \$1,945,000 of which 78% was for the Sanitary Sewer Special Assessment (\$1,510,000) and 22% was for the Pine Tree Road Improvement (\$435,000)

\$ 628,843

\$ 793,643

Notes Payable

\$6,695,000, 1998 refunding note payable due to Ingham County calling for total annual installments of \$525,000 to \$765,000 through 2012, interest at 3.95% to 5.13%

\$ 4,535,000

Downtown Development Authority (Component Unit)

The long-term debt balance of the Downtown Development Authority consists of the following:

General Obligation Bonds

\$990,000, 2003 general obligation bonds to finance Downtown Development Authority costs of constructing a building, due in annual installments of \$55,000 to \$85,000 through 2018, interest at 2.75% to 4.50%

\$ 880,000

\$2,050,000, 1997 general obligation serial and/or term bonds to finance Downtown Development Authority costs of constructing certain road, rail, water, sewer, and environmental improvements, due in annual installments of \$75,000 to \$375,000 starting in 2001 and going through 2015, interest at 4.90% to 5.10%

1,675,000

\$2,325,000, 2001 general obligation bonds to finance Downtown Development Authority costs of constructing certain water and sewer improvements, due in annual installments of \$130,000 to \$220,000 through 2016, interest at 4.0% to 4.63%

1,885,000

\$ 4,440,000

Notes Payable

\$200,000, Holt Shopping Center, due in monthly installments of to \$2,534 through July 2010, interest at a rate of 9.0%

\$ 115,893

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

The following is a summary of changes in long-term debt during the year ended December 31, 2005:

	Balance January 1, 2005			Balance December 31, 2005		Due Within One Year
		Additions	Deletions			
Governmental activities:						
General obligation bonds	\$ 3,339,025	\$ -	\$ 354,965	\$ 2,984,060	\$ 386,630	
Special assessment bonds	317,750	-	88,393	229,357	68,393	
General assessment payable	357,306	-	21,517	335,789	21,517	
Installment Purchase Agreement	500,000	-	33,333	466,667	33,333	
Compensated absences	231,709	6,664	-	238,373	120,000	
Total governmental	\$ 4,745,790	\$ 6,664	\$ 498,208	\$ 4,254,246	\$ 629,873	
Enterprise fund:						
General obligation bonds	\$ 7,940,975	\$ -	\$ 320,035	\$ 7,620,940	\$ 333,370	
Special assessment bonds	1,031,250	-	237,607	793,643	197,607	
Notes payable	5,248,259	-	713,259	4,535,000	550,000	
Total business-type	\$ 14,220,484	\$ -	\$ 1,270,901	\$ 12,949,583	\$ 1,080,977	
Component unit:						
General obligation bonds	\$ 4,695,000	\$ -	\$ 255,000	4,440,000	\$ 260,000	
Notes payable	430,145	-	314,252	115,893	20,818	
Compensated absences	14,046	1,154	-	15,200	6,000	
Total component unit	\$ 5,139,191	\$ 1,154	\$ 569,252	\$ 4,571,093	\$ 286,818	

For the governmental activities, compensated absences are generally liquidated by the general fund.

The annual requirements to amortize all long-term debt outstanding, exclusive of compensated absences as of December 31, 2005, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 509,873	\$ 124,865	\$ 1,080,977	\$ 581,852	\$ 280,818	\$ 202,695
2007	514,171	111,392	1,096,680	537,595	292,771	190,152
2008	528,835	97,800	1,100,014	492,882	304,907	177,092
2009	561,333	82,804	1,136,517	447,299	317,243	163,355
2010	602,999	66,047	1,194,852	393,279	315,154	149,023
2011-2015	552,517	229,199	3,526,732	1,248,468	2,580,000	452,131
2016-2020	553,098	115,071	2,322,823	675,861	465,000	27,001
2021-2024	193,047	13,922	1,490,987	127,510	-	-
Total	\$ 4,015,873	\$ 841,100	\$ 12,949,582	\$ 4,504,747	\$ 4,555,893	\$ 1,361,449

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

Advance Refunding

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net assets.

The Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements. At December, 31, 2005, \$4,535,000 of bonds outstanding are considered defeased.

3-G. Segment Information – Enterprise Funds

The government issued bonds and notes payable to finance certain improvements to its sewer system. Because the Sewer Fund, which accounts entirely for the government's sewer activities is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2005, the government carried commercial insurance to cover all risks of losses. The Township has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

4-B. Property Taxes

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes together with taxes for the County and other various school districts and the community college. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred until collected. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

The Township is permitted by the Charter Township Act of the State to levy taxes up to \$5.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. Additional taxes may be levied, upon approval of the voters, to a total levy of \$10.00 per \$1,000 of assessed valuation. The Township levied 4.340 mills for general operations, .4881 mills for fire operations, and .5086 for Community Service Center debt requirements on the December 1, 2004, levy (recognized as revenue in 2005).

The Downtown Development and Brownfield Redevelopment Authorities, which are component units, also receive property tax revenue from the December 1 tax levy. These tax revenues are recognized in the fiscal year following the December 1 levy date.

4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by federal and state grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

4-D. Postemployment Benefits

In addition to benefits described in Notes 4-E and 4-F, the Township provides both health and life insurance benefits for retired employees meeting specific age and years of continued service requirements. The Township will provide 75% to 100% health insurance coverage comparable to that provided to active employees. The obligation of the Township will cease or decrease as comparable health insurance becomes available to the retiree through another employer or source (i.e., Medicare). The Township will provide 100% of life insurance. Approximate costs incurred by the Township during 2005 amounted to approximately \$59,000. The Township currently has eleven retired employees receiving benefits under the plan.

4-E. Pension Plan

The Township provides pension benefits for all of its full-time employees through a defined contribution plan called the Defined Contribution Pension Plan for Governmental Employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon completion of three months of service. The Township contributes an amount equal to 10% of the employee's base annual compensation. Participants are eligible to make voluntary contributions of up to 10% of their annual compensation.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

The Township's contribution for each employee (and interest attributable to these contributions) are fully vested after two years service. Township contributions and attributable interest forfeited by employees who leave employment prior to full vesting are used to reduce the Township's current period contribution requirements.

Plan provisions and contribution requirement are established and may be amended by the Township Board.

The Township's total payroll in 2005 was \$3,909,972. Contributions were calculated using the base salary amount of \$2,770,450. The Township made the required 10% contribution totaling \$277,045.

4-F. Deferred Compensation Plans

The Township offers two deferred compensation plans created in accordance with Internal Revenue Code Section 457; one designed for full-time employees, and the second available only to part-time employees. The plans permit employees to defer a portion of their salary until future years. For the plan covering part-time employees, the Township contributes 3% of gross pay to the plan on behalf of all participating employees. The Township made contributions to the plans totaling \$5,727. The deferred compensation is only available to the employees upon retirement, termination, becoming permanently disabled, or death.

4-G. Restatements

Primary government:

Governmental Activities net assets were reduced by \$9,102 and Business-type activities and the Community Development fund net assets were increased by \$9,102 in order to recognize the book values of capital assets transferred as of January 1, 2005. Also, Governmental Activities net assets were increased by \$33,665 and Business-type activities and the Community Development fund net assets were reduced by \$33,665 in order to recognize the accrued compensated absences of the Community Development fund as of January 1, 2005.

4-H. Limited Obligations Bonds – Economic Development Corporation

The Corporation acts as a liaison between companies seeking financial assistance and financial institutions in an effort to further the economic development of the Township. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises. According to the terms of the lease contracts, the Corporation agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project and the bonds are collateralized by a mortgage on the project and the lease contract. The Corporation does not currently hold title to any property and did not have any activity in 2005.

CHARTER TOWNSHIP OF DELHI

Notes To Financial Statements

4-I. State Construction Code Disclosures

The Community Development Department reviews all planning, zoning and construction activities, issues building permits, and provides code enforcement and rental housing inspections and registrations. This activity had been reported as a separated activity in the General Fund through December 31, 2004. Effective January 1, 2005, this activity is reported in a separate Community Development Enterprise Fund.

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**COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES**

CHARTER TOWNSHIP OF DELHI
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue	Debt Service	Totals
Assets			
Cash and cash equivalents	\$ 517,254	\$ 222,276	\$ 739,530
Investments	172,531	-	172,531
Taxes receivable	335,196	368,121	703,317
Special assessments receivable	-	54,797	54,797
Other receivables	10,244	-	10,244
Prepays	2,322	-	2,322
<u>TOTAL ASSETS</u>	<u>\$ 1,037,547</u>	<u>\$ 645,194</u>	<u>\$ 1,682,741</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 9,560	\$ -	\$ 9,560
Accrued liabilities	5,261	-	5,261
Deferred revenue	350,204	420,678	770,882
Total liabilities	365,025	420,678	785,703
Fund balances			
Reserved for prepaids	2,322	-	2,322
Unreserved, undesignated	670,200	224,516	894,716
Total fund balances	672,522	224,516	897,038
<u>TOTAL LIABILITIES, AND FUND BALANCES</u>	<u>\$ 1,037,547</u>	<u>\$ 645,194</u>	<u>\$ 1,682,741</u>

CHARTER TOWNSHIP OF DELHI
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	Special Revenue	Debt Service	Totals
Revenue			
Taxes	\$ 326,672	\$ 341,136	\$ 667,808
Special assessments	-	27,032	27,032
Charges for services	127,318	-	127,318
Interest	19,507	7,502	27,009
Other revenue/reimbursements	55,079	-	55,079
	<hr/>	<hr/>	<hr/>
Total revenue	528,576	375,670	904,246
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
Public safety	143,011	-	143,011
Recreation and cultural	622,949	-	622,949
Debt service:			
Principal	33,333	408,393	441,726
Interest	16,419	74,410	90,829
Capital outlay	67,668	-	67,668
	<hr/>	<hr/>	<hr/>
Total expenditures	883,380	482,803	1,366,183
	<hr/>	<hr/>	<hr/>
Revenue under expenditures	(354,804)	(107,133)	(461,937)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Proceeds from sale of capital assets	109,925	-	109,925
Transfers in	607,633	14,270	621,903
	<hr/>	<hr/>	<hr/>
Total other financing sources	717,558	14,270	731,828
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	362,754	(92,863)	269,891
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	309,768	317,379	627,147
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 672,522</u>	<u>\$ 224,516</u>	<u>\$ 897,038</u>

CHARTER TOWNSHIP OF DELHI
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	Parks and Recreation	Fire Equipment Replacement Millage	Total
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 94,406	\$ 422,848	\$ 517,254
Investments	-	172,531	172,531
Taxes receivable	-	335,196	335,196
Other receivables	10,244	-	10,244
Prepays	2,322	-	2,322
<u>TOTAL ASSETS</u>	<u>\$ 106,972</u>	<u>\$ 930,575</u>	<u>\$ 1,037,547</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 9,141	\$ 419	\$ 9,560
Accrued liabilities	5,261	-	5,261
Deferred revenue	-	350,204	350,204
Total liabilities	14,402	350,623	365,025
Fund balances			
Reserved for prepaids	2,322	-	2,322
Unreserved, undesignated	90,248	579,952	670,200
Total fund balances	92,570	579,952	672,522
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 106,972</u>	<u>\$ 930,575</u>	<u>\$ 1,037,547</u>

CHARTER TOWNSHIP OF DELHI
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Parks and Recreation	Fire Equipment Replacement Millage	Total
Revenue			
Taxes	\$ -	\$ 326,672	\$ 326,672
Charges for services	127,318	-	127,318
Interest	-	19,507	19,507
Other revenue	54,934	145	55,079
Total revenue	182,252	346,324	528,576
Expenditures			
Current:			
Public safety	-	143,011	143,011
Recreation and cultural	622,949	-	622,949
Debt service:			
Principal	33,333	-	33,333
Interest	16,419	-	16,419
Capital outlay	35,920	31,748	67,668
Total expenditures	708,621	174,759	883,380
Revenue over (under) expenditures	(526,369)	171,565	(354,804)
Other financing sources			
Proceeds from sale of capital assets	-	109,925	109,925
Transfers in	566,133	41,500	607,633
Total other financing sources	566,133	151,425	717,558
Net changes in fund balances	39,764	322,990	362,754
Fund balances, beginning of year	52,806	256,962	309,768
Fund balances, end of year	\$ 92,570	\$ 579,952	\$ 672,522

CHARTER TOWNSHIP OF DELHI
Schedule of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Parks and Recreation		
	Final Budget	Actual	Actual over (under) Final Budget
Revenue			
Taxes	\$ -	\$ -	\$ -
Charges for services	125,770	127,318	1,548
Interest	-	-	-
Other revenue	89,150	54,934	(34,216)
Total revenue	214,920	182,252	(32,668)
Expenditures			
Current:			
Public Safety	-	-	-
Judicial	643,770	622,949	(20,821)
Debt service:			
Health and welfare	33,340	33,333	(7)
Recreation and cultural	16,420	16,419	(1)
Capital outlay	234,810	35,920	(198,890)
Total expenditures	928,340	708,621	(219,719)
Revenue over (under) expenditures	(713,420)	(526,369)	187,051
Other financing sources			
Proceeds from sale of capital assets	-	-	-
Transfers in	564,660	566,133	1,473
Total other financing sources	564,660	566,133	1,473
Net changes in fund balances	(148,760)	39,764	188,524
Fund balances, beginning of year	52,806	52,806	-
Fund balances, end of year	\$ (95,954)	\$ 92,570	\$ 188,524

Fire Equipment Replacement Millage		
Final Budget	Actual	Actual over (under) Final Budget
\$ 323,410	\$ 326,672	\$ 3,262
-	-	-
4,000	19,507	15,507
100,000	145	(99,855)
427,410	346,324	(81,086)
173,100	143,011	(30,089)
-	-	-
-	-	-
-	-	-
31,600	31,748	148
204,700	174,759	(29,941)
222,710	171,565	(51,145)
-	109,925	109,925
41,500	41,500	-
41,500	151,425	109,925
264,210	322,990	58,780
256,962	256,962	-
\$ 521,172	\$ 579,952	\$ 58,780

CHARTER TOWNSHIP OF DELHI
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2005

	Community Service Center	Pinetree Road	Water District 51	Water District 63
<hr/>				
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 58,026	\$ 127,607	\$ -	\$ -
Taxes receivable	368,121	-	-	-
Special assessments receivable	-	42,312	-	-
<hr/>				
<u>TOTAL ASSETS</u>	\$ 426,147	\$ 169,919	\$ -	\$ -
<hr/> <hr/>				
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Deferred revenue	\$ 384,603	\$ 33,606	\$ -	\$ -
Fund balances				
Unreserved, undesignated	41,544	136,313	-	-
<hr/>				
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 426,147	\$ 169,919	\$ -	\$ -
<hr/>				

Water District 66	Water District 70	Water District 71	Water District 72	Water District 128	Total
\$ -	\$ 365	\$ 3,287	\$ 12,639	\$ 20,352	\$ 222,276
-	-	-	-	-	368,121
-	1,005	2,813	3,050	5,617	54,797
\$ -	\$ 1,370	\$ 6,100	\$ 15,689	\$ 25,969	\$ 645,194

\$ -	\$ -	\$ -	\$ -	\$ 2,469	\$ 420,678
-	1,370	6,100	15,689	23,500	224,516
\$ -	\$ 1,370	\$ 6,100	\$ 15,689	\$ 25,969	\$ 645,194

CHARTER TOWNSHIP OF DELHI
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005

	Community Service Center	Pinetree Road	Water District 51	Water District 63
Revenue				
Taxes	\$ 341,136	\$ -	\$ -	\$ -
Special assessments	-	10,661	-	-
Interest	3,110	3,726	-	3
Total revenue	344,246	14,387	-	3
Expenditures				
Debt service:				
Principal	320,000	30,193	-	10,000
Interest and fiscal charges	50,587	10,462	5,622	1,442
Total expenditures	370,587	40,655	5,622	11,442
Revenue over (under) expenditures	(26,341)	(26,268)	(5,622)	(11,439)
Other financing sources (uses)				
Transfers in	-	-	-	8,810
Total other financing sources (uses)	-	-	-	8,810
Net changes in fund balances	(26,341)	(26,268)	(5,622)	(2,629)
Fund balances, beginning of year	67,885	162,581	5,622	2,629
Fund balances, end of year	\$ 41,544	\$ 136,313	\$ -	\$ -

Water District 66	Water District 70	Water District 71	Water District 72	Water District 128	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 341,136
-	1,004	3,589	3,108	8,670	27,032
18	3	52	248	342	7,502
18	1,007	3,641	3,356	9,012	375,670
10,000	3,200	6,800	13,200	15,000	408,393
1,477	535	877	1,514	1,894	74,410
11,477	3,735	7,677	14,714	16,894	482,803
(11,459)	(2,728)	(4,036)	(11,358)	(7,882)	(107,133)
2,410	3,050	-	-	-	14,270
2,410	3,050	-	-	-	14,270
(9,049)	322	(4,036)	(11,358)	(7,882)	(92,863)
9,049	1,048	10,136	27,047	31,382	317,379
\$ -	\$ 1,370	\$ 6,100	\$ 15,689	\$ 23,500	\$ 224,516

CHARTER TOWNSHIP OF DELHI
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2005

	Trust and Agency	Current Tax	Total
Assets			
Cash and cash equivalents	\$ 120,083	\$ 12,183,470	\$ 12,303,553
Taxes receivable	313,238	17,400,544	17,713,782
Total assets	<u>\$ 433,321</u>	<u>\$ 29,584,014</u>	<u>\$ 30,017,335</u>
Liabilities			
Due to other governments	\$ -	\$ 29,569,187	\$ 29,569,187
Undistributed receipts	433,321	14,827	448,148
Total liabilities	<u>\$ 433,321</u>	<u>\$ 29,584,014</u>	<u>\$ 30,017,335</u>

CHARTER TOWNSHIP OF DELHI
Statement of Net Assets / Governmental Funds Balance Sheet
Brownfield Redevelopment Authority Component Unit
December 31, 2005

	Special Revenue Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 5,955	\$ -	\$ 5,955
Taxes receivable	182,374	-	182,374
Total assets	<u>\$ 188,329</u>	-	188,329
Liabilities			
Accounts payable	\$ 4,104	-	4,104
Deferred revenue	167,732	-	167,732
Total liabilities	171,836	-	171,836
Fund balances			
Unreserved, undesignated	16,493	(16,493)	-
Total liabilities and fund balances	<u>\$ 188,329</u>		
Net assets			
Unrestricted		16,493	16,493
Total net assets		<u>\$ 16,493</u>	<u>\$ 16,493</u>

CHARTER TOWNSHIP OF DELHI
Statement of Activities / Governmental Funds Revenue,
Expenditures, and Changes in Fund Balances
Brownfield Redevelopment Authority Component Unit
For the Year Ended December 31, 2005

	Special Revenue Fund	Adjustments	Statement of Activities
Revenue			
Property taxes	\$ 156,365	\$ -	\$ 156,365
Interest	2,392	-	2,392
Total revenue	158,757	-	158,757
Expenditures/Expenses			
General government	159,990	-	159,990
Total expenditures/expenses	159,990	-	159,990
Change in fund balances / net assets	(1,233)	-	(1,233)
Fund balances / net assets, beginning of year	17,726	-	17,726
Fund balances / net assets, end of year	\$ 16,493	\$ -	\$ 16,493

CHARTER TOWNSHIP OF DELHI
Statement of Net Assets / Governmental Funds Balance Sheet
Downtown Development Authority Component Unit
December 31, 2005

	Governmental		
	Downtown Development Authority	Project 9 Infrastructure Debt Service	College Water/Sewer Debt Service
Assets			
Cash and cash equivalents	\$ 1,468,617	\$ 31,354	\$ 14,707
Investments	1,723,282	-	-
Taxes receivable	2,847,214	-	-
Other receivables	10,090	-	-
Prepaid items	895	-	-
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	<u>\$ 6,050,098</u>	<u>\$ 31,354</u>	<u>\$ 14,707</u>
Liabilities			
Accounts payable	\$ 203,370	\$ -	\$ -
Accrued liabilities	3,034	-	-
Interest payable	-	-	-
Due to other governments	517,367	-	-
Due to primary government	138,761	-	-
Deferred revenue	2,351,839	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	<u>3,214,371</u>	<u>-</u>	<u>-</u>
Fund balances			
Reserved for prepaid items	895	-	-
Unreserved, undesignated	2,834,832	31,354	14,707
Total fund balances	<u>2,835,727</u>	<u>31,354</u>	<u>14,707</u>
Total liabilities and fund balances	<u>\$ 6,050,098</u>	<u>\$ 31,354</u>	<u>\$ 14,707</u>
Net assets			
Invested in capital assets, net of related debt			
Unrestricted			
Total net assets			

Funds

College Water/Sewer Capital Projects	Total	Adjustments	Statement of Net Assets
\$ - \$	1,514,678	\$ - \$	1,514,678
-	1,723,282	-	1,723,282
-	2,847,214	-	2,847,214
-	10,090	-	10,090
-	895	-	895
-	-	3,438,649	3,438,649
-	-	1,599,821	1,599,821
\$ - \$	6,096,159	5,038,470	11,134,629

\$ - \$ 203,370	-	203,370
- 3,034	-	3,034
- -	26,194	26,194
- 517,367	-	517,367
- 138,761	-	138,761
- 2,351,839	-	2,351,839
- -	286,818	286,818
- -	4,284,275	4,284,275

- 3,214,371	4,597,287	7,811,658
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- 895	(895)	-
- 2,880,893	(2,880,893)	-

- 2,881,788	(2,881,788)	-
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\$ - \$ 6,096,159

482,577	482,577
2,840,394	2,840,394

\$ 3,322,971	\$ 3,322,971
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CHARTER TOWNSHIP OF DELHI
Statement of Activities / Governmental Funds Revenue,
Expenditures, and Changes in Fund Balances
Downtown Development Authority Component Unit
For the Year Ended December 31, 2005

	Governmental		
	Downtown Development Authority	Project 9 Infrastructure Debt Service	College Water/Sewer Debt Service
Revenues			
Property taxes	\$ 2,967,098	\$ -	\$ -
Charges for services	27,568	-	2,967
Interest and rentals	93,227	901	1,207
Total program revenues	3,087,893	901	4,174
Expenditures/expenses			
General government	891,648	-	-
Debt service:			
Principal	369,252	75,000	125,000
Interest	56,171	86,477	83,536
Capital outlay	730,254	-	-
Total expenditures/ expenses	2,047,325	161,477	208,536
Revenue over (under) expenditures	1,040,568	(160,576)	(204,362)
Other financing sources (uses)			
Transfers in	-	161,478	168,121
Transfers out	(329,496)	-	-
Total other financing sources (uses)	(329,496)	161,478	168,121
Change in fund balances/net assets	711,072	902	(36,241)
Fund balances / net assets, beginning of year	2,124,655	30,452	50,948
Fund balances / net assets, end of year	\$ 2,835,727	\$ 31,354	\$ 14,707

Funds				
College				
Water/Sewer				
Capital Projects	Total	Adjustments	Statement	of Activities
\$ -	\$ 2,967,098	\$ -	\$ 2,967,098	
-	30,535	-	30,535	
-	95,335	-	95,335	
-	3,092,968	-	3,092,968	
-	891,648	120,200	1,011,848	
-	569,252	(569,252)	-	
-	226,184	(3,218)	222,966	
-	730,254	(730,254)	-	
-	2,417,338	(1,182,524)	1,234,814	
-	675,630	1,182,524	1,858,154	
-	329,599	(329,599)	-	
(103)	(329,599)	329,599	-	
(103)	-	-	-	
(103)	675,630	1,182,524	1,858,154	
103	2,206,158	(741,341)	1,464,817	
\$ -	\$ 2,881,788	\$ 441,183	\$ 3,322,971	



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



March 28, 2006

To the Board of Trustees of the
Charter Township of Delhi
Holt, Michigan

We have audited the financial statements of the Charter Township of Delhi for the year ended December 31, 2005, and have issued our report thereon dated March 28, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 20, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Charter Township of Delhi. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Delhi are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Charter Township of Delhi during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Charter Township of Delhi's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Charter Township of Delhi, either individually or in the aggregate, indicate matters that could have a significant effect on the Charter Township of Delhi's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Delhi's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Township, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style. The first name "Lehmann" is written with a large, prominent 'L' and the last name "Johnson" follows in a similar cursive script.

CHARTER TOWNSHIP OF DELHI

Comments and Recommendations

For the Year Ended December 31, 2005

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated March 28, 2006 on the financial statements of the Charter Township of Delhi.

Ambulance Receivables

Uncollected amounts from ambulance billings are recorded in the general fund. The receivable for ambulance billings has increased from \$212,311 at December 31, 2004 to \$317,354 at December 31, 2005. Some of the receivables date back to 2001. These receivables are offset by an equal amount of deferred revenue in the General Fund. It has been the practice to turn the delinquent accounts over to a collection agency once a year. We noted that the last time delinquent accounts were turned over to a collection agency was in March 2004.

We recommend that the Township consider evaluating collection procedures and policies in this area. The Township's "Ambulance Billing and Write-Off" policy was adopted by the Township Board on 12/14/95. Better collection results could be achieved by turning over delinquent accounts to the collection agency on a more frequent basis. Also, older accounts not satisfied through collection efforts should be formally written off at least at the end of each fiscal year.

Bank Reconciliations

Three individuals are responsible for performing monthly bank reconciliations on the accounts payable checking, payroll, and other bank and investment accounts. As the number of bank and investment accounts has grown with the growth of the Township, and in order to enhance the internal controls in this area, we recommend that the reconciliations use a standardized reconciliation form that ties to each individual general ledger account. This standardized form should contain a section for an appropriate person to sign off and date as documenting that the reconciliation has been reviewed and approved.

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